

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE (NAO)



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF BUKOMBE DISTRICT COUNCIL
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2005**

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Office of the Controller and Auditor General

The National Audit Office,
United Republic of Tanzania

(Established under Article 143 of the Constitution of the URT).

The statutory duties and responsibilities of the Controller and Auditor General are given in the Public Finance Act No. 6 of 2001.

Our Vision

We aspire to be an organization that fosters a culture of financial discipline, transparency and accountability within the Government of Tanzania.

Our Mission

We are the Supreme Audit Institution in Tanzania, which strives to provide timely and high quality audit services to all our clients in order to enhance public sector financial performance by educating key stakeholders on the effective management of public finances; providing value added services and functioning independently and impartially in auditing and reporting on public accounts.

Therefore, our Core Values are:

- ✓ We strive to achieve and maintain objectivity in providing impartial audit services so as to promote our independence
- ✓ We pursue excellence in the provision of our audit services
- ✓ We exercise professional integrity by demonstrating high ethical standards
- ✓ We focus on people and have great respect to our stakeholders
- ✓ We encourage and promote innovation amongst our members of staff; and
- ✓ We ensure best resource utilization at national as well as individual public entity level.

We do this by:

- contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- helping to improve the quality of public services by supporting innovation on the use of public resources;
- providing technical advice to our clients on operational gaps in their operating systems;
- systematically involve our clients in the audit process and audit cycles; and
- providing audit staff with adequate working tools and facilities that promote independence.

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Terms and Abbreviations

DED	District Executive Director
GF	General Fund
INTOSAI	International Organization of Supreme Auditing Institutions
ISA	International Standards on Auditing
LAFM	Local Authority Accounting Manual
LPO	Local Purchasing Order
PMO-RALG	Prime Minister's Office -Regional Administration and Local Government
URT	United Republic of Tanzania
WEO	Ward Executive Officer

Financial Statements mean:

The Consolidated Balance Sheet, Consolidated Income and expenditure Statement, Consolidated Cash-flow Statement, Notes and related schedules of Bukombe District Council for the period ended 30th June 2005.

Council means: Bukombe District Council, both as Councillors as well an operating entity.

1.0 BACKGROUND INFORMATION TO THE AUDIT

1.1 Introduction

I have completed the audit of Bukombe District Council for the year ended 30th June 2005. Audit findings arising from examination of accounting records, appraisal of activities, and evaluation of the internal control system which require Management attention and action are set out under part three of this report.

1.2 Brief history of Client Establishment

Bukombe District Council was established in 1998 after an issue of a government notice No. 205 of 29/9/1998 Besides the G.N the council operates within the framework of the following instruments.

- Local Authority Financial Memorandum 1997
- Public Procurement Act No 21 of 2004.
- Local Government Finances Act no.9 of 1982.

1.3 Operational Objectives

According to section III (1) of the Local Government (District Authorities) Act and the Local Authority financial Memorandum, the District Council Bukombe has the following operational objectives.

- (a) To maintain and facilitate the maintenance of peace, order and good governance within its area of jurisdiction.
- (b) To promote the social welfare and economic well being of all persons within its area of jurisdiction.
- (c) Subject to the national policy and plans for rural and urban development, to further the social and economic development of its area of jurisdiction.
- (d) Collection of Public funds through taxes, licenses, fees and charges.
- (e) To convince the public that the use of funds have achieved the maximum benefits through sound financial management.

1.4 Financing

The Council has two sources of funds, own sources and external sources. The Internal source included collection of Public funds through taxes, fees, licenses and charges. On the other hand external source include subsidies from central government, grants and other funds from the Donor community.

During the year 2004/2005 the council received a total income of Shs.3,759,969,798.54 from the following sources;

	Shs.
Own Sources(as per supporting schedule)	551,735,428.25
Government (as per supporting schedule)	<u>3,208,234,370.29</u>
Total	<u>3,749,969,798.54</u>

1.5 Management

Bukombe District Council operates under directives of the Full Council and the day to day activities are administered by the District Executive Director who is the Accounting Officer of the council. The Council is organized into different departments supervised by heads of department who reports to the District Executive Director. The detailed organization chart is given in Annex 2.

1.6 Brief description of internal control system

A system of internal control that should be adopted by councils is given under order 9 through 11 of the Local Authority Financial memorandum; 1997. The order requires the finance committee to adopt written procedures for proper control of Finances.

In addition, the Director and the Treasurer should ensure there is assignment of specific responsibilities to individual officers through the issue of a detailed job description for each post in the Finance Department, production of an organization chart for the Finance Department showing lines of reporting and supervision, Division of responsibilities for related operations between several officers and periodic rotation of duties.

Accountability of all areas of operations by the Director or his designated representative to check effectiveness of the control system is mandatory. The Council is also required to employ its own Internal Auditor who report directly to the Director. Similarly, the Public Procurement Act NO. 21 of 2004 section 28 (I) requires the Council to establish a tender Board and Sect.34 (I) provides for establishment of Procurement Management Unit.

The Internal Control system of Bukombe District Council complies with this order of the Procurement Act. Nevertheless weakness raised from review of internal control system are included under part 3 of this report.

1.7 Financial performance Issues

Revenue

The District Council collected an amount of Shs. 551,735,428.28 from own sources against the internal revenue budget of Shs.614,224,835 reflecting a collection shortfall of Shs. 62,489,406.75 or 10.17% The difference between the actual revenue collection and estimates was not explained but would appear to be a result of unrealistic revenue budget. In addition

the Council received grants amounting to Shs.3,208,234,370.29 making total revenue of Shs. 3,759,969,798.54 during the year.

Expenditure

The Council spent Shs. 3,950,816,858.88 during the year against total income of Shs. 3,759,969,798.50 or 105% of total revenue, leaving unspent amount of Shs. 190,847,060.34. However, performance against budget could not be assessed since budget figures were not disclosed in the financial statements.

A comparison of the internal revenue of Shs. 551,735,428.25 against expenditure of Shs. 3,950,816,858.88 (net of depreciation) is only 14% implying that the District Council cannot sustain either its recurrent or development expenditure without depending on grants.

1.8 Audit Mandate

By virtue of the provision of Article 143 of the Constitution of the United Republic of Tanzania, and section 45 of the local government of Finance Act No. 9 of 1982, (revised 2000) the Controller and Auditor General is the statutory auditor of all government revenue and expenditure, including this District Council.

1.9 Audit Objectives

The main objective of conducting the audit is to enable me to express an independent opinion on the statements of the Bokombe District Council for the period ended 30th June 2005 and in particular:-

- To determine whether transactions were executed in accordance with management authorization and recorded properly in the books of account to permit the preparation of the financial statements in accordance with the International Accounting Principles and requirements of the Local Government Finance Act No.9 of 1982 and Local Authority Financial Memorandum 1997.
- To determine whether funds have been collected properly and used exclusively to meet eligible expenses as per approved budget and regulations governing government expenditure.
- To ascertain whether all relevant supporting documents records and accounts have been kept in respect of all Bukombe District Council activities.
- To verify whether goods and services bought were acquired through laid down procurement procedures and the Public procurement Act No. 3 of 2001 have been complied.
- To perform compliance tests to determine whether the management complied in all material respects with the Public procurement Act No 3 of 2001
- To evaluate whether the internal control procedures instituted are effective to provide relevant and reasonable information to the management, for implementing and monitoring activities and that the

assets of the Bukombe District Council are adequately safeguarded against losses from unauthorized use or disposition.

- To determine whether the management of the Bukombe District Council has taken adequate corrective action on the previous years audit recommendations.

1.10 Audit Scope

The audit of Bukombe District Council for the period ended 30th June 2005 was carried out in accordance with International Standards on Auditing (ISA). The audit covered the evaluation of the effectiveness of the financial accounting system and internal control over the activities of the Council Examination and verification of the accompanying financial statements, the performance report and other auditing procedures as was considered necessary under the circumstances for the purpose of forming an opinion on the financial statements. The audit was carried out on a test check basis, therefore the audit findings are confined to the extent that records, documents and information requested for the purpose of audit were made available to me.

As an auditor I am not required to search specifically for fraud; therefore my audit cannot be relied upon to disclose all such matters. However, my audit was planned as that I would have reasonable expectation of detecting material misstatements in the financial statements, including those resulting from fraud or irregularities. The responsibility for detection and prevention of fraud and irregularities rests with the Council's management who are responsible for setting up and maintaining an adequate system of internal control.

1.11 Audit Methodology

In auditing the financial statement together with the related records and schedules, the following steps were followed:-

- A review of the Council's regulations, guidelines and other Authority's documents as was deemed necessary under the circumstances.
- Examination of receipts and payments to confirm compliance with existing legislation, financial regulations and other instructions or directives.
- A review of the internal control structure by assessing significant policies and procedures and establish its adequacy.
- Conduct compliance tests on the system of awarding contracts and their execution.
- Interview and discussion with some of the staff and other key stakeholders in the implementation of various activities.
- Conduct Local inspection to verify physical implementation of planned activities as well as assessing the progress made.
- Hold entrance and exit meetings with the auditee to discuss the audit objectives and results of the audit, respectively.

1.12 Presentation of Audit Findings

The audit was carried out according to the mandate stated above, applying professional standards and audit procedures that were considered appropriate in each situation.

The audit findings are divided into two parts. The first part comprises the opinion on the critical examination of the financial statements submitted for audit and the circumstances surrounding their preparation and presentation.

The second part comprises the detailed findings on the gaps and shortfalls in the internal control system which, if rectified on time, will greatly improve the effectiveness of the internal control system applied.

2.0 AUDIT REPORT ON THE FINANCIAL STATEMENTS

To: The Regional Commissioner,
Shinyanga Region

District Executive Director and Accounting Officer
Bukombe District Council

**RE: INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS
OF BUKOMBE DISTRICT COUNCIL FOR THE YEAR ENDED ON
30TH JUNE 2005**

I have audited the consolidated balance sheet, consolidated statement of income and expenditure, consolidated cash-flow statement, and the related notes and schedules of the Bukombe District Council shown on the annexure 1 for the financial year ended on 30 June 2005.

Responsibility of Council Management on the financial statements

These financial statements are the responsibility of the management of Bukombe District Council Order Nos. 9 through 16 of the LAFM requires the Council to establish and support a solid system of Internal Control within the Council. Order No. 53 places responsibility on the Council Management to prepare the financial statements based on generally accepted accounting standards. Further, Section 40 of the Act requires the Accounting Officer to keep and maintain accounts and prepare financial statements in respect of the Council operations in a manner that promotes transparency, accountability and comparability.

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion based on the audit. I am also required to satisfy myself whether the funds contributed to the Council were used exclusively and judiciously to meet eligible expenditures with due attention to economy and efficiency, whether the accounts have been kept in accordance with generally accepted accounting standards, and whether they do comply with the requirements of the Local Government Finances Act No. 9 of 1982 and the Local Authorities Financial Memorandum of 1997.

Basis of opinion

The audit was conducted in accordance with International Standards on Auditing and included such other audit procedures I considered necessary in the circumstances. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the significant estimates and judgments made in the preparation of the financial statements, assessing whether the internal control system and the accounting policies are appropriate to the circumstances of the Bukombe District Council consistently applied and adequately disclosed, evaluating the overall financial statement presentation, and assessing the extent of compliance with the statutory requirements. I believe the audit provides a reasonable basis for my opinion.

Qualification

Except for the material matters pointed out below, in my opinion the financial statements fairly reflect, in all material respects, the financial position of Bukombe District Council as at 30th. June 2005 and the results of the operations and cash-flows for the year then ended, in accordance with Part IV of the Local Government Finances Act No. 9 of 1982.

Furthermore to my opinion, except for procurement items in the list below, the procurement of office supplies and works were generally done in accordance to public procurement act no. 21 of 2004.

Limitation of Scope of Audit and non-compliance with laws:

1. 3 revenue earning receipt books were not produced for audit, hence revenue collected vide these books could not be ascertained.
2. Shs. 63,776,963.93 were observed as uncollected revenue collection.
3. Shs. 4,805,600 were observed as loss of cash in the Office of District Executive Director.
4. Payment worth Shs. 9,190,000 were made without acknowledgement receipts.
5. Stores worth Shs. 8,162,000 were made without competitive quotations
6. Shs. 159,220,129 meant for Primary School Capitation fund were delayed in release.
7. Shs.7,751,705 was paid for maintenance of motor vehicles without approval of council Engineer.
8. Shs. 5,727,862 was observed as unclaimed salaries pertaining to deceased employees but was not surrendered to Treasury.
9. Shs. 28,065,925 were observed as nugatory payment paid to M/S Nela Construction Limited.

10. Capitation funds amounting to Shs.57,613,001.84 issued to Msonge & Gugege Primary Schools were noted not to be utilized for the intended activities and hence laxity in financial regulations.
11. Shs.24,230,525 was spent without proper authorization.
12. Shs.164,880,619 are receipt in cash book but not in bank statements.

The details of these matters are given in part 3 of this report.

Dr. Frank Mosses Hiza Mhilu
Ag. CONTROLLER AND AUDITOR GENERAL

The National Audit Office
Dar es Salaam

31st March, 2006.

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Follow up from the previous years report

Para 7.2 Outstanding debtors Shs.26,838,648

- (i) Women and Youth Shs. 1,112,000 is still outstanding.
- (ii) Shirecu Shs.23,197,648 still outstanding.

Implication

There is inadequate follow-up on this debtors from the Management part. This may lead to the loss of Public funds.

Recommendation

I recommend that, Management should make follow-up on the mentioned outstanding debtors as was recommended in our previous audit report and communicate findings to audit office for verification.

Para 7.3.1 Land and Building worth Shs.3,999,638,804

Title deeds to confirm the ownership of the land and building worth Shs.3,999,638,804 have not yet produced up to the time of writing this report.

Implication

It is difficult to confirm the ownership of the land and building if there is no title deeds. This may lead to the loss of government assets.

Recommendation

Management of Bukombe District council should make follow-up on the title deeds and produce them for audit verification.

3.2 Current Audit findings:

3.2.1 Missing receipt books (HW5)

3 (three) revenue earning books issued to one officer with serial No. 51201 - 51450 dated 19/02/2004 in respect of collection raised by selling of hospital mosquito nets were not produced for audit.

Implication

Accountability of revenue collections made vide these receipt books could not be ascertained, hence this could lead to the loss of Council's revenue without notice.

Recommendation

The relevant receipt books should be traced and produced to audit for verification, and the internal control system should be strengthened.

3.2.2 Uncollected revenue collections Shs.63,776,963

Scrutiny of the agents register and Health account register revealed that, an amount totaling Shs.63,776,963 remained uncollected as at the close of the financial year 2004/2005 as detailed hereunder:

Name of Agent	Folio No.	Amount (Shs.)	
Charles Andrew	38	5,000	
Julius Mwembei	43	132,500	
Pascal Nchambi	50	50,000	
Lucy Joseph	52	40,000	
Stephen Padri	57	150,000	
Juma Ramadhani	74	572,200	
Mathias Kagukano	40	100,000	
Yohana Melecry	7	25,000	
Simon Julius	7	10,000	
CCM (W)	21	300,000	
Shirecu (1984) Ltd	1	35,258,818	
Copcot	3	7,920	
Ushirombo Ginnery Ltd	5	13,741,398	
Sangijo	6	1,723,0720	
Hango	7	2,285,712	
Cargil	8	2,012,157	
Gaki	9	644,195	62,401,463
KACU	12	<u>5,343,990</u>	
Health A/C Register:			
Haruni Mathew	2	187,500	
Vicent Maige	5	270,000	
R. Jegui	9	187,500	
Ilolangulu Dispensary	10	337,500	
Lugunga Dispensary	11	243,000	
Ushirika Dispensary	12	75,000	
James H. Malashi	13	<u>75,000</u>	1,375,500
Grand total			63,776,963

Implication

This implies that some council programs could not be implemented as scheduled due to shortage of funds, that was expected be collected.

Recommendation

I recommend that, the uncollected revenue should be collected by the Council and quote receipt particulars for audit verification.

3.2.3 Loss of cash Shs.4,805,600

A loss of cash totaling Shs.4,805,600 occurred in the office of District Executive Director on 08/06/2005.

Formal loss report was not forwarded to the office of CAG as required by financial memorandum. The loss was due to weaknesses of internal control system, and further that the loss was not reflected in the Final Financial Statements for the year ended 30th June 2005.

Implication

The deficit in the income and expenditure statement has been understated by this loss.

Recommendation

- I recommend that, this loss should be reflected in the Final Financial Statement.
- Measures to prevent future occurrence of such loss should be instituted and Councilors be informed.

3.2.4 Payments not supported by acknowledgement receipts Shs.9,190,000

Payments amounting to Shs.9,190,000 (GF A/C) were found not supported by acknowledgement receipts as shown hereunder:

PV. No.	Cheque No.	Amount Shs.	Details/remarks
1/6	033198	750,000	Paid to Alat (M). Receipt missing.
38/1	02710383	1,500,000	Paid to Alat (M). Receipt missing.
14/1	02849511	70,000	Payment made to headmaster Sengerema secondary school. Receipt missing.
15/1	02849512	70,000	Paid to headmaster Musoma Sec. School, Receipt missing.
49/2	002850628	450,000	Payment made to DED Bukombe. Receipt missing.
3/3	02850631	5,700,000	Paid to DED Bukombe. Receipt missing.
37/3	02938315	650,000	Being payment made to DED Bukombe. Receipt missing.
Total Shs.		<u>9,190,000</u>	

Implication

Receipt of the Money by the institutions cannot be confirmed in absence of acknowledgement receipts, hence this might lead to the loss of council money.

Recommendation

The management should confirm that acknowledgement receipt are traced and submitted for audit scrutiny, and in future management should ensure proper keeping of accountable documents.

3.2.5 Doubtful payments of extra duty allowance Shs.4,790,000

It was noted during the audit inspection that a total Shs.4,790,000 paid to various officers of DED Bukombe in respect of extra duty allowance appears to be a doubtful payments for the following reasons:-

- (i) No application forms were completed.
- (ii) The period involved was not stated.
- (iii) The nature of work done outside normal working hours was also not stated.
- (iv) Supervising officer not identified.

Implication

In absence of application forms the period involved and the nature of work done cannot be ascertained.

Recommendation

- I recommend that management should investigate and recovery be made in case of failure to prove the work so done, and should strengthen internal control system on payment of extra duties.
- I recommend that in future management should confirm that, the extra duty allowance forms are filled as designed before allowance is paid.

3.2.6 Hiring of motor vehicles without contract agreement Shs.4,915,800

Payment totaling Shs.4,915,800 were made to various owners of the motor vehicles which were not supported by the contract agreement.

Implication

In the absence of related supporting documents validity of the payment won't be established by audit.

Recommendation

I recommend that, contract forms agreements should be filled so as to serve as evidence in case of breach on either party.

3.2.7 Overpayment on hiring of motor vehicles Shs. 507,100

It was noted during the audit inspection that, the council overpaid Shs.507,100 to various motor vehicle owner's due to overcharging of approved rates. The approved rate noted in contract agreement was Shs.400 per km, however the council paid Shs.500 per km.

Implication

This implies that the government Rules and Regulations were not complied with and hence the overpayment implies misuse of government funds.

Recommendation

- I recommend that, management should confirm that the overpayment of Shs.507,100 have been recovered from payees by quoting recovery particulars for audit verification.
- I recommend that the management should observe and adhered to the contract terms.

3.2.8 Overpayment of disturbance allowance Shs.250,681.60

The Council overpaid an amount of Shs.250,681.60 being disturbance allowance of one month salary to four (4) officers of Health department who transferred from one station to another.

However the standing Order L. 18 states that the payment of disturbance allowance is 1/25 of annual salary, the council paid full monthly salary resulting in an overpayment as shown hereunder:

PV. No.	Cheque No.	Amount wrongly Paid (Shs)	Actual amount (Shs)	Difference (Shs)
76/3	024238	178,650.00	85,752.00	92,898.00
75/3	024337	96,410.00	46,276.80	50,133.20
46/3	024207	125,720.00	60,345.60	65,374.40
18/3	024178	81,300.00	39,024.00	42,276.00
Total				250,681.60

Implication

This implies that some activities of the council might not be completed as a result of misuse of funds through overpayment.

Recommendation

- I recommend that, management should confirm the recovery of Shs.250,681.60 from the officers concerned by quoting recovery particulars for audit verification.
- I also recommend that the internal control system should be strengthened.

3.2.9 Purchases made without competitive quotations Shs.8,162,000

A test check on procurement procedures revealed purchases to the tune of Shs.8,162,000 relating to Health account were made from private suppliers without invitation of competitive quotations, thereby denying the council the most economical rates viz:

PV. No.	Amount Shs.	Cheque No.	LPO No.	Payee
10/4	630,000	017652	02702	Peter Kidagaa
52/4	1,000,000	017695	0001	ABC Academ
53/4	750,000	017696	03385	A.M.H.I Traders
124/6	5,782,000	027110	0087	Wallii H. Miyonga
Total Shs.	8,162,000			

Implication

This may imply that the government might not have received the value for money for goods purchased and services made.

Recommendation

I recommend that, the management should make sure that, each purchase made and where quotations applicable, more than three (3) quotations should be obtained from suppliers to comply with the requirements of the regulations.

3.2.10 Delays in release of funds to Primary Schools Shs.159,220,129

During our audit inspection we noted that capitation funds were not disbursed to Primary Schools on time. There was a delay of three (3) months. Such delays hinder the timely implementations of activities approved by Bukombe Education District Council as detailed below:

PV. No.	Description	Amount	Date received	Date disbursed to schools
4/12	Capitation	159,220,129/=	19/11/2004	17/02/2005

Implication

Such delays hinder the timely implementation of activities as approved by the councils'.

Recommendation

I recommend that funds should be disbursed timely to schools.

3.2.11 Stores ordered and paid for but not delivered Shs.1,539,600

Stores amounting to Shs.1,539,600 ordered and paid for but lacked evidence for their delivery and accountability, up to the time of writing this report December, 2005 were yet to be delivered as detailed hereunder:-

PV. No.	Cheque No.	Account No.	Amount Shs.	Details
10A/6	027065	Health	1,061,600	Paid to Boniface Lugwisha. Cost of 4 pcs pressure cooker @139,550 6 pcs forceps @ 83,900
37/7	026965	Health	148,000	Paid to Bukoba machinery Box Mwanza. Cost of 1 pc tyre size 750 x 16.
1/9	025306	Livestock	330,000	Pentread Enterprise LPO. No.02812 of 01/09/2004 3 pcs tyre with tubes.
Total			1,539,600	

Implication

Materials procured might be misused hence hinder the council's to run its activities on timely basis.

Recommendation

I recommend that, management should confirm the delivery of the purchased items by quoting receipt particulars i.e. Delivery Notes, Receipt vouchers and Ledger folios for audit verification.

3.2.12 Short supply of stores Shs.330,000

The council ordered and paid for hospital equipments from M/S Bella Hardware. However, only equipment valued at Shs.4,230,000 was received and accounted for in stores ledger, leaving a balance of stores worth Shs.330,000 undelivered as shown below:-

PV. No.	Cheque No.	Amount (Shs.)	Amount ordered (Shs)	Amount supplied (Shs)	Rate Shs.	Difference Shs.	L/Folio
24/8	027005	3,000,000	600,000	270,000	30,000	330,000	2/112
8/6	017790	1,560,000					
Total		4,560,000					

Implication

Materials purchased might be misused hence hinder the council to run its projects on timely basis.

Recommendation

I recommend that, management should confirm the delivery of the remaining goods by quoting stores receipt voucher for audit verification.

3.2.13 Overpayment of subsistence allowance Shs.280,000

Payment made to an officer in respect of 7 days subsistence allowance on first appointment at a rate of Shs.40,000 per day instead of Shs.20,000

per day resulting in an apparent overpayment of Shs.280,000 as detailed hereunder:

PV. No.	Cheque No.	A/C No.	Amount paid	Amount due	Difference
3/9	021822	Water	280,000	140,000	140,000
3/11	021835	Water	280,000	140,000	140,000
Total Shs.			560,000	280,000	280,000

Implication

This implies that overpayment might lead to some of the councils activities not to be completed.

Recommendation

I recommend that, management should confirm the recovery of the same from the officer concerned by quoting recovery particulars for audit verification, and in future internal control system should be strengthened.

3.2.14 Maintenance of motor vehicle without approval of Council Engineer Shs.7,751,705

A total amount of Shs.7,751,705 was paid to private garage operators for services rendered to various motor vehicles of the council. However, the works would appear to have not been routed through the mechanical engineer of the council for check up and identification of spares to be fitted. Details are quoted hereunder:

PV. No.	Cheque No.	A/C No.	Amount Shs	Details
32/8	025300	Livestock	1,000,000	Paid to Shinyanga General Mechanics, maintenance of STJ 2001
67/9	002709543	Health	5,000,000	Payment made to m/s Patel Trading Company (1961) Ltd maintenance of SM 3233
13/10	002710877	Health	1,268,580	Shinyanga Mwananchi Garage Service of STJ 5674. LPO No. 02828
1/5	00284841	Works	483,125	Lazaro Garage. LPO No. 0057, cost maintenance of STJ 8113
Total			7,751,705	

Implication

In the absence of proper routing say through the Mechanical engineer of the council, it could not be confirmed whether the payments made reflect the real value of the work and hence this could lead to loss of public funds.

Recommendation

I recommend that, management should make sure that, maintenance of motor vehicle must be approved by mechanical engineer or Transport officer of the Council before and after service.

3.2.15 Laxity in control on councilors sitting allowances Shs.3,332,200

During the audit inspection it was noted that, a Council incurred Shs.3,332,200 from General Fund account for conducting four (4) more sittings which were not included in the approved annual time table as shown below:

Committee	Approved sittings	Actual sittings	Approved budget	Actual expenditure	Amount overspent
Finance, planning and administration	12	15	6,952,400	8,754,600	1,802,200
Full council	4	5	5,267,800	6,797,800	1,530,000
				Total	3,332,200

Implication

Possible that some council programs will not be implemented on timely basis due to shortage of funds.

Recommendation

I recommend that, management should explain the circumstances under which the committee meeting took twenty (20) sittings instead of 16 (sixteen) as indicated in the annual time table resulting in an overpayment of Shs.3,332,200.

3.2.16 Outstanding loans to women groups Shs.4,500,000

Loans issued to women groups for the year under review amounting to Shs.4,500,000 had not been recovered from the respective groups as indicated on PV 1/12 to 14/12.

Implication

Activities on which this money had been budgeted for, will not be accomplished on time due to shortage of funds.

Recommendation

I recommend that, management should investigate the circumstances under which the loan were not collected and regularize collection of the balance by quoting receipt particulars for audit verification.

3.2.17 Unclaimed salaries not surrendered to Treasury Shs.5,727,862.40

Unclaimed salaries pertaining to deceased employees of the Council amounting to Shs.5,727,862.40 were not confirmed to have been surrendered to Treasury.

Department	Check No.	Name	Amount
517	7045802	Ifogoho Mashelo	362,832
517	5794623	Magesha Mazuri	338,400
507	2803135	Issa Abdallah	618,100
507	4823485	Daud Bundala	1,513,600
507	7355112	Julius H. Mayuki	570,500
5004	9146253	Joseph F. Kagoma	1,872,296
5007	4284332	Esron Msomi	74,400
5013	2686057	Jackson Malila	377,734
Total Shs.			5,727,862

Implication

Unsurrendering of unclaimed salaries may lead to the loss of government funds.

Recommendation

I recommend that, the management should refund unclaimed salaries to Treasury and quote receipt particulars for audit verification.

3.2.18 Nugatory payment paid to m/s Nela Construction Ltd

Shs.28,065,925

Payment totaling Shs.28,065,925 was paid to a contractor m/s Nela Construction as interest arising from delays in department settlement of Shs.9,815,600. However, the council admit a such claim and the decision ruled by court of law paid the said amount vide PV. No. 42/3 and 1/ 4 Cheque No. 00293832 and 002438347 although there were no evidence of such delays produced to justify the payment.

Implication

Its apparent that some activities budgeted for 2004/2005 financial year will not be accomplished as their budgets have been deprived.

Recommendation

I recommend that, management should seek retrospective approval from the minister for such expenditure to stand charge in the government expenditure. Further that responsible official who caused that nugatory expenditure, disciplinary action should be instituted against them.

3.2.19 Capitation Funds Issued to Msonga and Bugege Primary Schools

Shs.57,613,001.84

A site visit to the above mentioned Primary schools revealed the weaknesses on application of the financial regulations on using capitation funds issued where an amount of Shs.32,915,052.51 were observed as misappropriated as detailed below.

Msonga Primary School

Fund received Shs.43,298,783.79

- Payment of text books not delivered	Shs. 2,688,192.00
- Payments supported by forged school committee minutes, official rubber stamp and signatures	Shs. 2,043,509.00
- Payment not supported by any document (misappropriation)	Shs. 21,119,464.47
	Shs. <u>25,851,165.47</u>

Bugege Primary School

Fund received Shs.14,314,218.05

- Payments supported by forged school committee minutes, official rubber stamp and signatures	Shs. 6,141,858.00
- Payment not supported by any document (misappropriation)	Shs. 922,029.04
	Shs. <u>7,063,887.04</u>
Sub total	Shs. <u>7,063,887.04</u>
Grand total	Shs. <u>32,915,052.51</u>

Implication

Without relevant proper supporting documents, it will be difficult to confirm on whether the capitation grants paid for by the council were utilized for the government interest.

Recommendation

- My recommendation is that, management should investigate the mentioned irregularities and confirm the recovery of misappropriation of Shs.32,915,052.51 from the officers concerned and confirm the delivery of the text books.

3.2.20 Internal Audit Report Not Replied

In October, 2005 the internal auditor of Bukombe District Council issued an internal audit report vide Ref. No. F.20/30 Vol. II/16 dated 16/10/2005 questioning the following matters:

- Lack of adherence of procurement procedures and records keeping.
- Poor rehabilitation of Uyore Health Centre staff house contract no. Afya - April - June/Basket/2005/11 contractor Pleumal Investment Co. Ltd.
- Payments based on proforma invoices Health account Shs.18,383,200
- Improperly vouched expenditure Shs.97,609,205
- General fund Shs.39,161,018 and health account Shs.58,448,890

No replies were furnished regarding the internal auditors report October 2005 contrary to the Financial memorandum.

Implication

By not replying to internal audit report has an implication of weakening internal control system.

Recommendation

I recommend that, management should reply the internal auditors report as required by the financial memorandum and forward the replies to us for audit purpose.

3.2.21 Unauthorized and over expenditure Shs.24,230,525

The summary of expenditure for the period ended 30th June 2005 showed that, Shs.704,600 was spent without budgetary allocation while Shs.23,525,925 was spent over and above the authorized expenditure as indicated hereunder:-

Code No.	Expenditure item	Estimates (Shs)	Actual expenditure (Shs)	Excess (Shs)
2611321	Ulipaji madeni ya H/W	54,320,000	77,845,925	23,525,925
250311	Usafiri na usafirishaji	Nil	132,000	132,000
261135	Gharama za ofisi	Nil	235,000	235,000
250311	Usafiri na posho	Nil	337,600	337,600
			Total	24,230,525

Implication

It's apparent that some activities budgeted for 2004/2005 financial year will not be accomplished as their budget have been reallocated.

Recommendation

I recommend that, retrospective approval should be sought for the expenditure to stand as a charge in Public Expenditure.

3.2.22 Hire of plant and vehicles Shs.15,318,968.41

The income statement for the year ending 30th June, 2005 shows Shs.15,318,968.41 as income accrued from hiring of plant and vehicles. However, no separate account was maintained by the council showing if the venture is operating at a profit or loss.

Implication

Lack of separate account could not confirm whether the venture is operating at profit or loss. This might cause loss to the Government if the ventures running costs are higher than earning.

Recommendation

The Management of the council should make sure they open an account of all ventures in their hand and maintain them properly

3.2.23 Depreciation charge of Fixed Assets Shs.451,590,012.70

The method used for calculation of depreciation on fixed asset was not stated in the footnote, as a result we failed to re-calculate and determine the value of fixed assets.

Implication

Lack of notes to state the basis of depreciation implies that the figure given for this year cannot be ascertained by audit.

Recommendation

Management should submit the notice for audit scrutiny.

3.2.24 Debtors Shs.84,234,765.95

The consolidated balance sheet reflected an amount of outstanding debtors amounting to Shs.84,234,765.95 as follows.

Category	Department	Amount Shs.
Staff Advance	General fund	180,000
Staff Advance	Health	401,650
Staff Advance	WDF	235,500
Staff Imprest	General fund	4,001,300
Staff Imprest	Road Fund	1,190,000
Staff Imprest	Education	8,825,212
Staff Imprest	Health	5,394,000
Staff Loans	Health	290,340
Other debtors	WYF	2,700,000
Other debtors	General Fund	<u>61,016,763</u>
Total		<u>84,234,765.95</u>

The schedule of advances, Imprests, loans and other debtors issued did not indicate recovery action intended to be taken in order to recover the debts.

Implication

Outstanding debts implies non implementation of some of the scheduled activities of the council.

Recommendation

Endeavour should be made to collect these outstanding debts, and submit the particular for audit verification, and in future the management should strengthen control over debts.

3.2.25 Current liabilities Shs.85,451,055.40

Shs.85,451,055.40 was disclosed in the balance sheet as at 30th June, 2005 as outstanding liabilities. The Council has only been able to settle Shs.43,415,844 leaving a balance of Shs.42,035,211.40 outstanding.

Implication

This implies that if the council did not settle debts, then the smooth operations of the council might be affected during settlement.

Recommendation

I recommend that, the council should pay its liabilities as they fall due.

BANK RECONCILIATION STATEMENT

3.2.26 Balances not cleared in Bank Reconciliation statements as at June 2005

The bank reconciliation statements furnished with the final accounts disclosed the following items which have not been pursued and cleared as at 30th June 2005.

Account No.	Unpresented cheques Shs.	Receipt in cash book not in bank statement Shs.
230802	41,601,295	-
230803	3,297,100	-
230806	1,127,800	24,409,190
230807	240,000	602,750
230809	1,381,125	-
230810	29,592,800	9,893,424
230811	70,856,950	-
230814	6,700,000	11,640,000
230815	346,000	15,523
230819	600,000	-
230830	33,497,200	-
230836	256,800	-
230833	1,699,336	114,154,732
230829	8,126,500	4,165,000
Total	199,322,906	164,880,619

Implication

Non clearance of outstanding balances might lead to loss of public funds.

Recommendation

My recommendation is that, immediately action is recommended for clearance of the outstanding balances.

4.0 CONCLUSION

The detailed audit finding presented above have been communicated to management of the Bukombe District Council during exit meeting. Management of the Bukombe District Council has promised to take appropriate action with a view to rectify the situation. I shall appreciate to receive a formal action taken in this respect.

Lastly, I would like to express my appreciation for the cooperation given to the audit team. It is my hope that such good working relationships will be extended during future audits.

Dr. Frank Mosses Hiza Mhilu
Ag: CONTROLLER AND AUDITOR GENERAL

Copy: The Permanent Secretary,
Prime Minister's Office,
Regional Administration and Local Government,
P.O. Box 1923,
DODOMA.

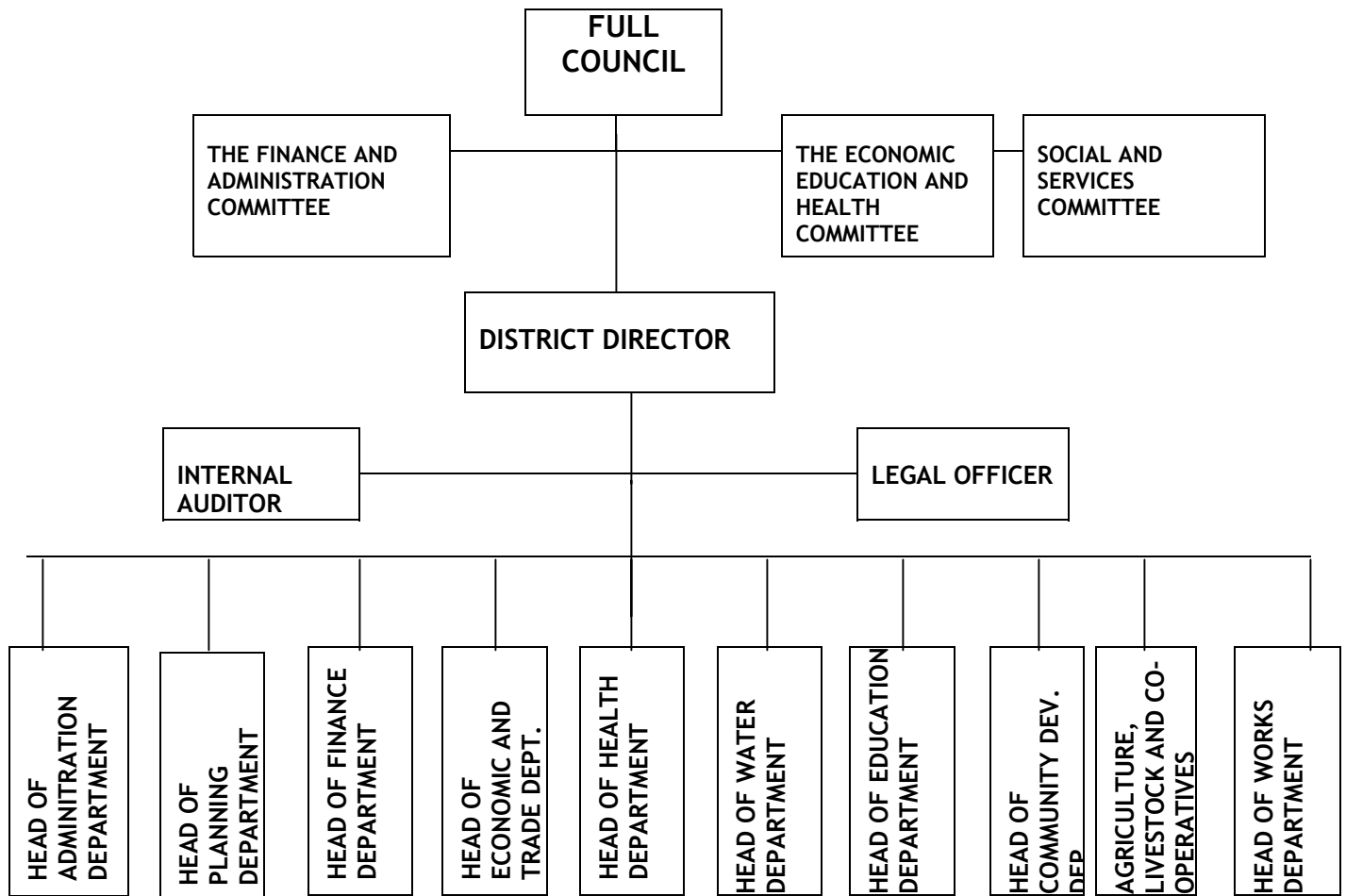
The Regional Administrative Secretary
P. O. Box320
SHINYANGA

5.0 ANNEXURES

Financial Statements and notes to the Financial Statements - Annexure I

Organization Structure of Bukombe District Council

ORGANIZATION STRUCTURE OF BUKOMBE DISTRICT COUNCIL



EXTRA DUTY ALLOWANCES SHS.4,790,000/=

PV. NO.	CHEQUE NO.	ACCOUNT NO.	AMOUNT
34/2	024152	Health	100,000/=
9/3	024169	Health	1,000,000/=
31/3	024191	Health	300,000/=
50/3	024211	"	70,000/=
65/3	024226	"	60,000/=
12/4	017654	"	100,000/=
13/4	017655	"	195,000/=
31/4	017674	"	100,000/=
54/4	017697	"	210,000/=
62/4	017705	"	800,000/=
11/6	017973	'	150,000/=
27/8	026998	'	200,000/=
1/9	027024	"	50,000/=
38/9	02709512	"	100,000/=
39/9	02709513	"	95,000/=
8/10	02710871	'	100,000/=
23/8	02469700	Education	350,000/=
33/11	02711493	'	200,000/=
43/11	?	"	610,000/=
Total Shs.			4,790,000/=

APPENDIX 'B'

HIRING OF MOTOR VEHICLES WITHOUT CONTRACT AGREEMENT
SHS.4,915,800/=

PV. NO.	CHEQUE NO.	ACCOUNT NO.	AMOUNT	PAYEE
1/10	002711401	RWSSP	220,000/=	Alpha Alphonce
29/9	025433	“	412,000/=	“
27/9	0253967	“	335,000/=	“
11/10	002711411	“	300,000/=	S.T. Kayungilo
2/11	002711416	“	774,000/=	Jacob Were
19/1	002937161	“	138,400/=	“
21/8	026992	Health	201,200/=	Nkanwa N. W.W.
69/12	023625	Education	122,800/=	Alpha Alphonce
42/8	002475671	‘	44,000/=	Martha Kazinza
44/8	002475673	“	230,400/=	Simon Kalunde
1/12	023555	“	313,200/=	Nkanwa N.W.W.
69/12	023625	“	122,800/=	Alpha Alphonce
30/8	002475658	“	1,400,000/=	Mbogola trading
9/8	025277	Livestock	302,000/=	Cletus Kalinda
Total Shs.			4,915,800/=	

APPENDIX 'C'

OVERPAYMENT ON HIRING OF MOTOR VEHICLES SHS.507,100/=

PV. NO.	CHEQUE NO.	ACCOUNT NO.	AMOUNT PAID	AMOUNT DUE	OVERPAYMENT
1/10	002711401	RWSSP	220,000/=	176,000/=	44,000/=
29/9	025433	“	412,000/=	329,600/=	82,400/=
27/8	0253967	“	335,000/=	268,000/=	67,000/=
11/10	002711411	“	300,000/=	240,000/=	60,000/=
2/11	002711416	“	774,000/=	619,200/=	154,800/=
3/12	002711433	“	77,500/=	62,000/=	15,500/=
8/11	025326	Livestock	216,000/=	172,800/=	43,200/=
25/11	025153	“	201,000/=	160,800/=	40,200/=
TOTAL SHS.					507,100/=

**BUKOMBE DISTRICT COUNCIL
BASIS FOR ASSESSING AUDIT OPINION**

Para	Observation	Basis	Opinion
3.2.2	Uncollected revenue amounting Shs. 63,776,963.93	<u>63,776,963.95</u> 614,224,835 =10.38%	Unqualified
3.2.3	A loss of cash Shs.4,805,600	<u>4,805,600</u> 3,759,969,798.54 =0.13%	Unqualified
3.2.4	Payment of Shs. 9,910,000 not supported by acknowledgement receipt	<u>9,190,000</u> 3,759,969,798.54 =0.24%	Unqualified
3.2.9	Shs. 8,162,000 were made on purchases without competitive quotations	Material non compliance or departure	Qualified
3.2.10	Delay in release of funds to Primary Schools Shs. 159,220,129	Material non compliance or departure	Qualified
3.2.14	Shs.7,751,705 was paid to private garage without approval of Council Engineer	<u>7,751,705</u> 3,950,816,858.88 =0.19%	Unqualified
3.2.17	Shs. 5,727,862.40 as unclaimed salaries were not surrendered to Treasury	Statutory required	Qualified
3.2.18	Nugatory payment of Shs. 28,065,925	<u>28,065,925</u> 3,759,969,798.54 =0.74%	Unqualified
3.2.19	Weakness on application of financial regulation on using capitation funds amounting Shs. 57,613,001	<u>57,613,001.84</u> 3,950,816,858.88 =1.5%	Unqualified
3.2.21	Shs. 24,230,525 was paid without authorization	<u>24,230,525</u> <u>3,950,816,858.88</u> =0.6%	Unqualified
3.2.26	Shs. 164,880,619 are receipt in cash book not in bank statement	Material non compliance or departure	Unqualified